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SUBJECT: AMCHAM VIEWS ON HONDURAN COUP

¶1. (U) SUMMARY: On July 2, the Ambassador, Consul General, and the Econ section met with the executive directors of the Honduran AmCham to convey the USG position in the wake of the coup. The Ambassador condemned the coup, informed them that the U.S. only recognized President Zelaya as the legitimate democratically elected leader of Honduras, and that we supported the restoration of the democratic and constitutional order. The Ambassador stated that while we had a no-contact policy with the de facto regime, he assured them that the USG will continue to strongly support U.S. business. American businesses had different views on the events of June 28, but most believed that the removal of President Manuel "Mel" Zelaya was the best for Honduras and that enduring potential international sanctions over the next six-months until a new democratically elected president is sworn into office was a price worth paying. They said they had all experienced immediate impacts on their businesses as a result of the political crisis and border closures (since lifted) and foresaw long-term repercussions. Most disagreed with the USG position and expressed the hope that the U.S. would not abandon Honduras. Several executives requested that the U.S. and international community declare support for the Honduran people and send a commission to Honduras. END SUMMARY.

USG MESSAGE TO AMCHAM

¶2. (U) On July 2, the Ambassador, Consul General, and the Econ section met with the executive directors of the Honduran AmCham to convey the USG position in the wake of the coup. The Ambassador condemned the coup of June 28 and forceful removal of President Zelaya by the military. The Ambassador stressed that the U.S. recognized Manuel Zelaya as the only legitimate President of Honduras. He said we had no relations with the de facto regime. He stressed that the U.S. was committed to restoring the constitutional and democratic order. The Ambassador acknowledged that both sides made mistakes but expressed that negotiating a resolution was still possible. The Ambassador advised the group of our current no contact policy with government officials, but assured them that the Embassy will stay in close touch with the U.S. business community, and maintain an official presence. The CG acknowledged that Hondurans needed to travel to the U.S. to attend trade shows and meetings and confirmed that there would be no change in our visa policy for private individuals.

POLITICAL OPINIONS

¶3. (U) The U.S. company executives (most of them Honduran nationals) expressed different opinions about the June 28 forcible removal and exile of President Zelaya. Some agreed there was a coup but said Zelaya violated the law and needed to be held accountable. Others said there was no coup, rather Zelaya's removal was legal and necessary to restore stability. One person said that the removal of Zelaya was conducted with dignity, since he was sent to Costa Rica and not placed in a Honduran jail.

14. (U) Various members criticized the way Zelaya was removed; but there was no alternative to removing him from office. The Congress had to do something or Honduras would have ended up like Venezuela. According to them, it is preferable to endure six months of sanctions rather than to be under a Zelaya regime for 20 years. Additionally, some believed that the actions taken on June 28 mitigated potential future civil unrest and loss of Honduran lives.

WORRIES ABOUT THE ECONOMIC FUTURE

15. (U) Various U.S. executives expressed concern about the impact of recent events on the economic future of Honduras. They have already experienced immediate impacts on their businesses and foresee long-term repercussions.

16. (SBU) Citibank and BAC-Bamer (GE) both said that they are seeing immediate effects on investment and cash flows. Investments are down, people are transferring money out of the banks, and the rate of decline of economic activity is accelerating. Both bankers said they are concerned that Honduras' image is tainted and that international investment will continue to decrease in the near future. They fear that the lack of support from the international community will hinder economic development and hoped for a short-term

agreement to stem the hemorrhaging.

17. (SBU) The General Manager of the Marriott had to close its hotel in Tegucigalpa because of its proximity to the Presidential Palace, where protests have been centered the past week. It is concerned that USG advice for AmCits to defer travel to Honduras will represent potential future loss of revenue once the hotel reopens. The representative expressed that Marriott will recuperate in the long-term, but is unsure how long it will take.

BORDER CLOSURE

18. (U) AmCham Honduras has been in communication with the other Central American AmChams regarding the border closure following a decision by SICA (since lifted). They estimated that the closure represented a major economic loss to the entire region.

19. (SBU) Crowley Maritime Corporation moves cargo bound for Honduras, Nicaragua, Guatemala, and El Salvador through Puerto Cortes and 100 percent of its Nicaragua-bound cargo passes through Honduras. Because Puerto Cortes is a regional hub, the majority of Crowley's clients are U.S. companies that invest or sub-contract to the export-processing operations (maquilas). The Crowley representative stated that they had experienced more complications during the past three years than in the previous 20, including double-taxation (now resolved), customs clearance deficiencies, and now a coup that triggered border closures. They are hoping that the USG will show support and ensure that the CAFTA-DR agreement is enforced.

PLEA FOR USG SUPPORT

110. (U) Over the past three days, the AmCham has received many calls and emails from the U.S. business community in Honduras. Many oppose the U.S. policy approach in support of Zelaya. Companies are reporting that measures need to be taken to protect U.S. investments and they are concerned about capital flight. Executives reported concern that local employees may turn against U.S. companies in solidarity with Zelaya if he returns.

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